Voluntary Compliance Participation Agreement Form

(Individual Income Taxpayers)

Please refer to the instructions for more information. When completed and signed by an authorized representative, this form will serve as the official agreement with the Franchise Tax Board.

Attach to the Amended Individual Income Tax Return

For calendar year _____, or Fiscal year beginning month _____ day _____ year_____, and ending month _____ day _____ year _____.	
Your name as shown on return	Your Social Security Number:
Spouse's name as shown on return (if married filing jointly)	Spouse's Social Security Number:
Address	▲ **Important** ▲ You **must** enter Your SSN(s) above

Select one:
Check one of the following Options and attach this form to each amended return. You must elect the same option for each year of participation.

Option 1

□ I elect to participate in the VCI under Option 1. I understand that I waive my right to appeal or file a claim for refund for any amounts paid under this VCI.

Option 2

□ I elect to participate in the VCI under Option 2. I understand this option will not affect my right to appeal or file a claim for refund for any amounts paid under this VCI.

Please check if either of the following boxes applies.

- □ **A.** I want to treat this election as a claim for refund. My basis for the claim is attached.
- □ **B.** I do not want to treat this election as a claim for refund. I just want to maintain my appeal rights.
- □ **C.** I have a pending federal action and want to treat this election as a claim for refund. My basis for the claim is attached.

For more details, please see the instructions to this form under ***Option 2 Appeal Process***.

PLEASE SIGN BELOW

Under penalty of perjury of the laws of the State of California, I declare that I examined this form, including any accompanying statements, and to the best of my knowledge and belief it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge. I am properly authorized to execute this form.

Your name *(please print)*: _____ Spouse's name (*please print*): _____

Your signature: _____ Spouse's signature _____

Date: _____ Telephone number: _____ Date: _____ Telephone number: _____

Note: A *Participation Agreement* signed by a representative or an attorney-in-fact must be accompanied by a completed power of attorney (Form FTB 3520) authorizing such signature.

For Privacy Act Notice, get form FTB 1131.

Instructions for form FTB 622

Voluntary Compliance Initiative - Participation Agreement for Individual Income Taxpayers

These instructions are based on California Revenue and Taxation Code Sections 19751-19754.

A General Information

The Franchise Tax Board (FTB) Voluntary Compliance Initiative (VCI) program is for taxpayers who underreported tax liabilities due to the use of abusive tax shelters and transactions. The VCI is available only from January 1, 2004, through April 15, 2004, and applies to 2002 and all prior taxable years. An abusive tax shelter and transaction is any plan or arrangement devised for the principal purpose of avoiding tax.

To participate in the VCI:

- You amend your California return by eliminating your abusive tax avoidance transactions and fully pay all taxes and interest due. If you are unable to pay, the FTB may enter into an installment payment agreement with you.

  Refer to the FTB 3561 booklet on our Website at www.ftb.ca.gov, under Voluntary Compliance Initiative.

  Write "VCI" in red on the top of your installment agreement request and send it to:

  Franchise Tax Board
  PO Box 2952
  Sacramento CA 95812-2952

- The FTB will waive all penalties (except those penalties finalized prior to December 31, 2003) applicable to abusive tax shelter and transactions for taxable years the taxpayer participates in the VCI Option 1. See VCI Option 2 below for exceptions.

- The FTB will not pursue criminal action for taxable years with respect to the VCI issues if a criminal complaint was not filed against you or you are not the subject of a criminal investigation in connection with an abusive tax shelter and transaction as of December 31, 2003.

B Eligibility

The VCI applies to any taxpayer that meets all of the following:

1) Previously filed a California franchise or income tax return using an abusive tax shelter and transaction to underreport tax liability.
2) Was not eligible to participate in the IRS Offshore Voluntary Compliance Initiative that ended April 15, 2003.
3) Was not party to a filed criminal complaint or under criminal investigation for an abusive tax shelter and transaction as of December 31, 2003.

C Options

If you are participating in more than one year, you must elect the same option for each year.

Option 1 – Waive Appeal Rights

You elect to comply by amending your California return reporting all income or loss without regard to an abusive tax shelter and transaction and close the issue with finality.

If you have a final federal determination (such as, revenue agent report, closing or settlement agreement) regarding the transaction, amend your California return based on the final federal determination and attach a copy to your amended return. Be sure to adjust for federal and state differences.

You must fully pay all taxes and interest due as reported on your amended return.

You waive your right to appeal the amounts paid under the VCI in exchange for being relieved of any applicable penalties and avoiding possible prosecution.

Option 2 – Retain Appeal Rights

You elect to comply by amending your California return reporting all income or loss without regard to an abusive tax shelter and transaction but wish to maintain your appeal rights.

If you have a final federal determination (such as, revenue agent report, closing or settlement agreement) regarding the transaction, amend your California return based on the final federal determination and attach a copy to your amended return. Be sure to adjust for federal and state differences.

You must fully pay all taxes and interest due as reported on your amended return.

You avoid possible prosecution, but remain subject to the 20% accuracy related penalty as provided in California Revenue &Taxation Code section 19164 (prior to amendments passed in October 2003).

If you elect this option, you can choose to:

A. Treat your amended return as your claim for refund, or
B. File a claim later within the statute of limitations.

In either case, you must clearly state the specific grounds of your claim and attach any necessary documents. Once you file a claim for refund under Option 2, the FTB will process and may examine your claim for refund, or may defer that action if there is a pending federal action, such as, an IRS examination.

The FTB will determine if the accuracy related penalty applies when it takes action on your claim. If there is a final federal determination regarding the transaction and the accuracy related penalty, the FTB will generally follow the federal determination.

Option 2 – Appeal Process:
You may file an appeal after either of the following:

1) The FTB takes action on the claim for refund, or
2) The later of either:
   (a) 180 days after the date of a final federal determination regarding an abusive tax avoidance transaction, or
   (b) 4 years after the date you filed the claim, or if later, 1 year after full payment of tax, penalty and interest.

If the FTB assesses the accuracy related penalty, you must pay the amount before proceeding with your appeal.

D How to Participate

You must file an amended return and attach a completed *Participation Agreemen*t Form FTB 621 (for corporations, LLCs, partnerships, estates, trusts, and fiduciaries), or Form FTB 622 (for individuals, partners and shareholders). You must file a separate *Participation Agreemen*t for each year you participate in the VCI. You must elect one of the two options. If you are participating in more than one year, you must elect the same option for each year.

Before attaching the VCI *Participation Agreement* (Form FTB 621 or 622) to the amended return, make sure you fill out the following entries:

- Calendar or fiscal year dates.
- Name.
- Social Security Number.
- Clearly check only one option.
- Signature

Attach the completed VCI *Participation Agreement* form (FTB 621 or 622) to the back of each amended return being filed. On the top of the amended return **write "VCI" in red**. Amended returns, and payment of the additional tax and interest, must be sent no later than April 15, 2004. Send your amended return(s) to:

Attn: VCI
Franchise Tax Board
PO Box 1673
Sacramento CA 95812-1673

To file the amended return use the following FTB form:

- Corporations – Form FTB 100X for taxpayers who previously filed a Form FTB 100, 100S, or 100W
- Partnerships – Form FTB 565
- LLC – Form FTB 568 for taxpayers filing as a partnership
- Individuals/Partners/ Shareholders – Form FTB 540X
- Estates/Trusts/Fiduciaries – Form FTB 541

E Additional Information

For additional information concerning the Voluntary Compliance Initiative, please refer to one of the following:

- Our Voluntary Compliance Initiative Website at:

  www.ftb.ca.gov

- Call the VCI Hotline at (916) 845-3232.
- E-mail us at vci@ftb.ca.gov

Assistance for persons with disabilities:
We comply with the Americans with Disabilities Act. Persons with hearing or speech impairments please call TTY/TDD (800) 822-6268.